

INFORMATIONAL TESTIMONY ON SENATE BILL 110, SENATE LOCAL GOVERNMENT

January 14, 2009

RE: SB 110 "AN ACT ALLOWING VOLUNTEER FIREFIGHTERS TO PARTICIPATE IN GROUP HEALTH INSURANCE PLANS ENTERED INTO BY COUNTIES OR THIRD-CLASS CITIES AND TOWNS; ALLOWING THE COUNTY, CITY, OR TOWN TO REQUIRE THE VOLUNTEER FIREFIGHTER TO PAY THE FULL COST OF PARTICIPATION; AND AMENDING SECTION 2-18-702, MCA."

Chairman Esp and distinguished Senators:

On behalf of Gallatin County I would like to submit the following testimony on Senate Bill 110. The Gallatin County Commission has not had an opportunity to take an official position on this legislation therefore I am submitting it as an Informational Witness.

As Human Resources Director for Gallatin County I have concerns regarding Senate Bill 110 for the following reasons:

1. It creates very difficult issues to establish and monitor eligibility. We currently use number of hours worked as eligibility criteria. If we require an employee to work the minimum hours how can we say a volunteer doesn't have to meet the same criteria. It is concerning to think how eligibility would be established.
2. It creates adverse selection. We would have individuals making a decision to come on Gallatin County's plan that can't get coverage elsewhere. Someone should ask if there are really enough uninsured volunteer firemen that this is a problem, and if there really are why is that? Don't they have jobs or businesses of their own where insurance is available? The pool of volunteers probably includes a large number of self employed and small business owners who have the ability to take off at a moments notice to go out on a fire. These same individuals most likely are not insured because the cost of individual and small group insurance is too high for them. The question is why then should the county or city, or any other governmental agency subsidize them?
3. The eligibility concerns and adverse selection then become an issue with re-insurance carriers. Will they even provide re-insurance and if so, at what cost.
4. This also potentially creates federal tax issues, because this can be viewed as compensation and wages if provided to volunteers. The whole concept of **employee** health benefit plans is that the benefits are provided to employees and their tax dependents as part of compensation. If you go beyond that scope IRS views this as giving something of value for services rendered (even if they are "volunteers") and therefore takes the view that the value must be considered to be wages..that by giving these individuals coverage under a county plan you are providing a taxable value that converts them from volunteers to employees, or in the alternative, if they are paying the full price for the coverage and are not employees, then the county is basically selling individual health insurance without a license to do so.

5. There is a significant potential to increase rates if this is passed. Gallatin County has managed our health benefit plan very well by continuing to educate employees on health care and preventative measures and paying attention to our plan.

Thank you for your consideration in this important matter. If you have any questions or concerns please feel free to contact me at: .

Cynde Hertzog
Gallatin County Human Resources Director